

Michael P. Morris, Chairman  
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE  
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION  
BOARD OF TRUSTEES

DATE: SEPTEMBER 14, 2006

PLACE: ST. GEORGE, UTAH

ATTENDING: BOARD

Michael P. Morris  
John Ferry  
Jim Eardley  
James Lee  
John Scales  
Michael Brown  
Gayle McKeachnie

STAFF

Kevin S. Carter  
John Andrews  
Ric McBrier  
Elise Erler  
LaVonne Garrison  
Tom Faddies  
Kim Christy  
Lisa Schneider  
Dave Hebertson  
Curt Gordon  
Drake Howell  
Ray Fowler  
Rodger Mitchell  
Kyle Pasley  
Ron Torgerson

OTHERS IN ATTENDANCE

Darrell Hafen, Dixie Power, Water, Light & Telephone, Inc.  
Kim Rodell, Governor's Office of Planning and Budget  
Margaret Bird, State Office of Education  
Bernita Lighty, SUTICO  
H. Allan Carter, SUTICO  
Mike Empey, Representative Matheson's Office  
Michael Gardner, SunCor  
Stan McConkie, Morley & McConkie

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Chairman Morris welcomed Board members, Staff, and guests to the meeting.

Appearance of Darrell Hafen

Mr. Darrell Hafen asked for a few minutes to speak with the Board. He stated this is a project he originated in 1957. St. George killed that project by an eminent domain proceeding, which caused a world of problems for him. He gave a map to Mr. Eardley of the George Washington Parkway along the Arizona border. This has implications to St. George. The last legislature caused a problem regarding the Lake Powell pipeline, which is his project; and he can prove it. This is an unresolved issue. He is the guy that got 10,000 acres under the State of Utah Desert Land Act and proceeded to buy it. He had a contract entered into, and he had someone threaten him with a gun. He had to go to the state and state that he had problems and needed to put the contract on hold. During that five years after the project work started, the eminent domain suit caused more problems. He then had an auto accident, which wasn't his fault. That hurt him deeply in many ways. St. George has passed words to many people labeling him a "killer" from this accident. Many complications have happened over the years, and he is now coming back to Trust Lands. He wants to develop a research park near where the airport is to be built. It has implications with the IHC property and the University of Illinois. This is about all he can say right now. He appreciates the Board giving him time. Chairman Morris thanked Mr. Hafen for his comments.

1. Approval of Minutes

Mr. Lee made the following changes in the Board Minutes of August 17, 2006: On Page 8, last paragraph, fifth line, the word "sale" should be "Board"; on Page 9, 12<sup>th</sup> line down, the next to the last word ("to") should be "for"; on Page 21, third paragraph, next to the last line, the word "surety" should be "certainty"; and on Page 27, the first bolded paragraph, (ii) should be (viii). With these corrections, the Board approved the minutes.

Lee / Ferry. Unanimously approved.

"I move we approved the minutes as amended."

Roll Call:

Mr. Lee - - yes  
Eardley - - yes  
Scales - - yes  
Morris - - yes

Mr. Ferry - - yes  
McKeachnie - - yes  
Brown - - yes

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2. Confirmation of Upcoming Meeting Dates

The Board confirmed upcoming meeting dates as follows:

October 19 - - Salt Lake City

November 30 - - Salt Lake City (a change from November 9)

December - - No meeting.

3. Consideration/Approval of FY 2008 Budget/Director's Performance and Evaluation

Director Carter reviewed the budget process with the Board. We are required by statute to present a budget to the Board and have the approved budget to the Governor's Office of Planning and Budget by October 1 of each year. This budget is for FY 2008, beginning July 1, 2007. We submit a budget to the Governor's Office. The Governor's Office holds hearings, at which time we have a chance to meet with them and discuss the proposed budget. They then take our budget and build it into the state budget for the beginning of the legislative session. The legislature reviews the budget and schedules a hearing before the appropriations sub-committee. Generally, before the end of January, we will have a first presentation before the Natural Resources Appropriations Sub-Committee. Their fiscal analyst will review the budget and recommend what he believes should be approved. We then have a chance to make a presentation before the sub-committee. The sub-committee is an unknown to us this year. The senate members are mostly all but gone. Senator Dmitrich is the only one still there. In the House, there will be a new -co-chair. Representative Ferry is a consideration for a committee co-chairman. If he doesn't get it, Representative Noel will probably be the co-chair. We see either one of them as a positive for us.

The sub-committee comes back later in the session and formally recommends a budget to the Executive Appropriations Committee. The Executive Committee takes all the budgets and builds a state budget. One thing that has changed in the last year is that they have adopted a strategy. The Governor has much control with his veto if they pass the budget real late. To get around this, they pass a budget early in the session that is the same as last year's budget. This leaves only new things on the table to discuss, and there is nothing for the Governor to veto. It has an unintended advantage for us. Since we are not General Funds, it is difficult to get leverage on other things in the session. Therefore, we are pretty clean with an early-passed budget. We come back to the Board in May to present a working budget based on the appropriation previously passed by the Legislature.

3. Consideration/Approval of FY 2008 Budget/Director's Perf and Evaluation (cont'd)

Director Carter reviewed the proposed changes/increases in the FY 2008 budget:

Ongoing:

Legal	\$38,850	Additional funding in professional services for contract assistance in addressing exchange issues and development transactions.
Auditing	\$50,300	FTE - Technical support position for audit Staff
Minerals	\$78,000	FTE - Solid mineral lease specialist
Surface	\$70,000	Increase in professional services for range-improvement projects
Administration	\$52,500	Increase in building rental for additional sixth-floor space (3500' @ \$15)
Total:	\$289,650	

One-Time:

Legal	\$85,000	Continue funding for investigator
Data processing	\$30,000	Video conferencing equipment
Development/SG	\$ 5,000	Office relocation
Surface/Richfield	\$ 5,000	Office relocation
Administration	\$40,000	Office remodel for expanding sixth-floor space
Total:	\$165,000	
Total increase:	\$454,650	

Director Carter noted this is less than a five percent increase in our current budget, and we feel it is a very modest amount. The additional information the Board had been sent shows the breakdowns of how the money is to be spent.

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3. Consideration/Approval of FY 2008 Budget/Director's Perf and Evaluation (cont'd)

Chairman Morris asked why the legislature rejected the Mineral Specialist last year? Director Carter stated we had asked for a 40 percent increase in our total last year - - actually we asked for more and cut it to 40 percent. The Mineral position is where the legislature chose to cut it, and we actually volunteered to cut this position. Mr. McKeachnie asked if the attorneys' fees listed are for outside attorneys? Director Carter noted these are for contractual amounts. It was also noted that the spending cap imposed by the legislature has not applied to Trust Lands in the past. Chairman Morris asked if the Board is approving the income target by approving this budget? Director Carter stated that target was approved last month when the Board approved the FY 2007 objectives. It is shown in this budget material only for comparison. Ms. Schneider noted that, in May when we bring back a working budget, we will have a more-refined income target.

Ms. Bird inquired as to why we only had a 38 percent increase and was that going to be adequate to do all that we need to do and give Staff what is needed to do it? Director Carter stated we feel it will. Ms. Schneider noted we added three FTE's last year. Mr. McBrier stated he has been trying to get a financial person, but that is not coming right now. Another problem is compensation for his group. You have to understand what is happening in this industry for people to stay with us. It doesn't mean it is a problem right now, but it could be a problem. Keeping good people is our real challenge. We are not recommending Sienna Hills-type transactions, but more transactions where we are passive. Ms. Schneider noted that this budget doesn't address any merit increases or COLA's. Whatever is passed by the legislature is automatically added to our budget.

Chairman Morris stated that the Board assumes there is a process that the Staff goes through to come up with these numbers, and the group heads have ownership on this budget. Director Carter indicated that is correct. Mr. Lee noted he would like Mr. McBrier to spend some time talking about the need for a financial officer. Mr. McBrier stated we have a big business, and increasing our human resources to do a financial analysis and support of the business groups would be great. It frees up the people in the business groups to not have to do all the number crunching. It also provides some independent view of numbers coming out of the Development Group. He views the accounting group in the agency more of a governmental accounting function and not a financial officer. Mr. Lee stated he is not suggesting that the budget be changed, but we need to look at this request further. Director Carter stated we considered the existing personnel both in Development and Accounting and think we can meet the needs with existing personnel. If we find we can't, we will bring forth a recommendation next year. Mr. Lee stated part of the goal is to operate this agency like an outside business. Chairman Morris noted that he considers this to be a word of caution from the Board. Personnel is a theme that is

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3. Consideration/Approval of FY 2008 Budget/Director's Perf and Evaluation (cont'd)

running on the Development side. We have had an outside party tell us this also. He thinks this needs to be addressed. We should go back to Roulac's recommendations and look at what we didn't implement and review it again. He noted it is up to the Director to take this advice and do with it what he wants.

Lee / Brown. Unanimously approved.

"I move we approve the budget as recommended."

Roll Call:

Mr. Lee - - yes  
Eardley - - yes  
Scales - - yes  
Morris - - yes

Mr. Ferry - - yes  
McKeachnie - - yes  
Brown - - yes

Chairman Morris noted the Board needs now to do the performance evaluation of the Director.

Ferry / Lee. Unanimously approved.

"I move we go into closed session for the purpose of discussing the character and competence of individuals."

Roll Call:

Mr. Lee - - yes  
Eardley - - yes  
Scales - - yes  
Morris - - yes

Mr. Ferry - - yes  
McKeachnie - - yes  
Brown - - yes

The Board went into closed session at 9:55 a.m. Those in attendance were Board members and Director Carter. The Board returned to open session at 10:50 a.m.

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3. Consideration/Approval of FY 2008 Budget/Director's Perf and Evaluation (cont'd)

McKeachnie / Lee. Unanimously approved.

"I move that the minutes and the record of this meeting show that the Board, in closed session, has conducted an evaluation of the Director, Mr. Carter, and unanimously the Board believes that Mr. Carter is doing an excellent job and gives him an "A" grade and wants to encourage him to keep doing the same kind of good work."

Roll Call:

Mr. Lee - - yes

Eardley - - yes

Scales - - yes

Morris - - yes

Mr. Ferry - - yes

McKeachnie - - yes

Brown - - yes

Chairman Morris noted the Board has signed a document showing the Director's salary at \$115,000.

Appearance of Mike Empey, Representative Matheson's Office

Director Carter noted that Mr. Mike Empey, of Representative Matheson's Office, was in attendance. The Congressman has been helping us with our land exchange bill in Washington, DC. Mr. Empey stated that he appreciates the opportunity to appear before the Board. He is Congressman Matheson's Southwest field representative. He discussed the Washington County land bill with the Board. The House is having the first hearing on the bill right now in the Natural Resources Subcommittee. The congressman is hoping that expressing support for the process and talking about some of the misinformation that has been out there will help. In Congress, when a bill is proposed, it goes to a sub-committee. Hopefully, it will come out of that subcommittee today. On the Senate side, as of yesterday, Senator Bennett has talked with Senator Domenici regarding a hearing date. The most controversial issue is the disposal of public land. As we have worked through that, many things have happened. Many of the original stakeholders that Governor Walker began with hoped that 80,000 - 100,000 acres would be available to be sold to the people. The current legislation has a two-tiered process for land disposal. In the first tier, part of that acreage has had clearance on it. In the second tier, up to 20,000 acres could be disposed. Part of the discussion is that the bill have a provision talking about land to be considered. The bill goes through an outline of what land can be considered and

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Appearance of Mike Empey, Representative Matheson's Office (cont'd)

excludes land of critical environmental concern. Parcels that are qualified are at the election of Envision Dixie. With that provision in the legislation, if the process continues, Trust Lands will have an opportunity to acquire lands. Director Carter noted that we have worked with the sponsors to add this provision so that exchanges can still be considered.

Mr. Empey stated that, as this bill has generated conflicts, he has been contacted by many suggesting that lands would be better suited in TLA ownership than Federal ownership. Director Carter stated that the value the bill provides for us is that the money that comes from the sale of the lands goes into a fund that can be used to buy desert tortoise land from us. We are concerned that the money now allotted to it will start to dwindle. TLA has about 6,000 acres in the Habitat Conservation Plan (HCP) now. At the current market, that is much money. Mr. Empey noted that there have been various attempts over the years to try to solve the issues, and hopefully this will help.

Mr. Lee asked about how the bill will do since the time is so short? Mr. Empey stated there are only about 11 legislative days left before Congress recesses. We are hoping that both houses have dealt with this by then. Both houses anticipate a session after the election. The calendar is running out for this session. If it does not pass by the time they adjourn for Christmas recess, the process will start over. He stated he knows Congressman Matheson feels strongly about this bill. If it is not passed, it will be considered in the next session. Land issues in Utah are always controversial. Much of the discussion that has been in the media contains many inaccuracies.

Mr. Eardley stated there are two states that are controversial on land issues. Alaska is first, and Utah is second. The people working on this bill have worked very hard on it, with field trips, many meetings, etc. No one is completely happy with it because it is a compromise effort on everyone's part.

Chairman Morris thanked Mr. Empey for his appearance.

4. Consideration/Approval of Board Policy 2006-04 - - Oil Shale Leasing on Trust Lands

Mr. Tom Faddies reviewed the following proposed policy with the Board:

*The Board of Trustees of the  
School and Institutional Trust Lands Administration*

☒ *New Policy*                      ☐ *Amends Policy No.*   ☐ *Repeals Policy. No.*  
*Policy Statement Nol. 2006-04*                      *Subject: Oil Shale Leasing on Trust Lands*

*The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on September 14, 2006, and by majority vote declares the following to be an official policy of the Board:*

The Trust Lands Administration shall continue to make lands with the potential for recovery of kerogen from oil shale available for leasing.

The Administration will work toward consolidation of leases on the blocks of oil shale lands which have high potential for exploitation of the oil shale resource. In order to eliminate potential problems resulting from cross-leasing, the potential for tar sands, coal, and conventional oil and gas production will be evaluated before leasing.

The areas of oil shale land “blocks” are referred to by the following names:

- \* Magic Circle Block
- \* TOSCO or Sand Wash Block
- \* Bonanza Block
- \* Holliday Block
- \* Seep Ridge Block

These “blocks” will only be leased with Board approval using the Administration’s “Other Business Arrangement” (OBA) procedures.

With regard to “over-the-counter” leasing, the withdrawal of lands with recognized oil shale potential will continue. Modification of existing leases within the above-referenced blocks will require approval of the Board and use of the OBA procedure.

The Administration will continue to pursue opportunities to increase the value of the oil shale resources through land exchanges and unitization opportunities among federal, tribal, and fee lands.

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4. Consideration/Approval of Board Policy 2006-04 - Oil Shale Leasing on Trust Lands (cont'd)

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Mr. Faddies noted that each member of the Board has been briefed as to how we are managing the oil shale on our trust lands. We have large blocks and scattered lands. This policy will encourage us to work toward single-lease holders on these lands. Mr. Faddies discussed with the Board scenarios under which existing leases could be modified and the use of the Other Business Arrangement process.

Ferry / Lee. Motion passed.

“I move we adopt this policy.”

Roll Call:

Mr. Lee - - yes	Mr. Ferry - - yes
Eardley - - absent at vote	McKeachnie - - yes
Scales - - yes	Brown - - yes
Morris - - yes	

5. Chairman's Report

a. Beneficiary Report

Ms. Margaret Bird stated CLASS does a research project every year. One of the things they are going to look at this year is the actual language of Enabling Acts passed by Congress to see if there was intent language during the discussion that it was meant to be a trust. She thinks this will be a very large project. If there are items that the Board would like researched, please let them know so that CLASS can look at those issues in the upcoming research projects. The research project they did with the Sanoran Institute is about completed. It is about 400 pages. It was a massive undertaking and a very unpleasant experience.

Ms. Bird discussed the paper she had written which had been sent to the Board. There are \$38.5 billion in permanent funds in the 18 states she studied. When they first started paying attention to the fund in Utah, we were very last. There are now nine states that have smaller permanent funds than Utah. They are very grateful for the Board's attention to the land issues. There are eight states who have funds larger than ours. We have to catch up with Idaho and North Dakota (based on 2005 numbers). Charts in the report showed the current increases in permanent funds.

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5. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

When they surveyed some of the states, they were told that the cost data was not relevant. In our last report, she stated we are over \$100 million in the black in the comparison of market vs. costs.

There are eight states that have investment boards that provide them advice. Two states have elected officials on that board. Six of them have state treasurers. Of the states having state treasurers making investments, Utah did far the best. Of the two states that have no one giving them advice, their returns are 2.3 percent and 5.3 percent. In some of the states that did a poor job, the makeup of the committee is not very good. She noted that, to run for State Treasurer in Utah, you only have to be 25 years old. She thinks there should be more required qualifications. We need to keep people in there that have qualifications like Mr. Alter.

b. Review of Fox-Lawson Compensation Survey

Chairman Morris stated there was a compensation meeting yesterday with Mr. Fox. Basically, the purpose of the meeting was to try to define the scope that would be referred to as the database for comparisons for the appropriate salary ranges for executive management. It is going in the right direction, and we have a high degree of confidence with Mr. Fox's ability for what he is doing and to complete this on time.

Director Carter noted that Mr. Fox has met with all the management team involved, the Director, and the beneficiaries. Mr. Fox will visit with some of the Board by phone and hopes to glean other information from those calls. Mr. Fox had stated he wanted to talk with each member of the Board. The Board would like these to be individual meetings. Telephone meetings would be fine. It was asked that the Director call Mr. Fox and ask him to call each Board member and ask that he put together a list of common questions to ask everyone.

6. Director's Report

a. Director's Update on Issues

Little Hole: Director Carter informed the Board that he issued a Record of Decision on the Little Hole proposal. The appeal time ends tomorrow. He did discuss it somewhat with Mike Styler recently. The Governor had asked Mr. Styler about it, and Mr. Styler indicated he thought it was the best decision we could have made because they could still do something about it. At that level, they recognize that this decision was probably the best one. The access issue will be dealt with by the buyer. The applicant has assured the Director that they will be at the sale. He told the applicant that we might be willing to work with a purchaser to secure access to the extent we could. Our minimum price will be based on the assumption that access is there. It if will affect it, it will be that not as many people bid on it. The rural affairs section in the Governor's Office is leading the charge on the access issue. The Board asked, if the access issue were cleaned up, would it bring larger, premium bids? Director Carter stated he doesn't think so. We are going to set our price as a premium price with access.

Land Exchange Proposal: Director Carter stated we are optimistic that we are working out the final hurdles. He and Mr. Andrews are to meet on this exchange next Monday regarding the final issues. They want to make sure that the money that comes from the portion of the sale proceeds are used to buy the lands that will be on the market through this process. We are encouraged. We then think they will give their clearance for it to go to the House floor and should be considered in the next couple of weeks. We have involved Senate staff in our negotiations, so it should move forward there also.

I. Follow-up Report to Board Actions

A. Fee Waiver Report

The Board had a spreadsheet showing the fees that have been waived in the last six months pursuant to the new rule of the Board. When this was adopted, it was asked that we report to the Board every six months on fees that we waive.

6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Follow-up Report to Board Actions (cont'd)

B. Eagle Mountain Pro Forma Report

Since this was to be a discussion on land values, the Board went into closed session.

Ferry / Scales. Motion approved.

"I move we go into closed session for the discussion of the value of real estate."

Roll Call:

Mr. Lee - - yes

Eardley - - absent at vote

Scales - - yes

Morris - - yes

Mr. Ferry - - yes

McKeachnie - - no

Brown - - yes

The Board went into closed session at 2:05 p.m. Attending were Board members, Kevin Carter, John Andrews, Ric McBrier, Kim Christy, Ron Torgersen, LaVonne Garrison, Tom Faddies, Lisa Schneider, Curt Gordon, Kyle Pasley, Ray Fowler, Dave Hebertson, Drake Howell, Margaret Bird, and Lynda Belnap. The Board returned to open session at 2:15 p.m.

C. Update on Francis Project - - Summit County

Mr. McBrier reported to the Board that Staff has not done anything further on this since the last time it was discussed. Ms. Bird stated that the Board had approved spending a certain amount to get access. She asked about the status of this and if it is flexible? Mr. McBrier stated our intention would be to come back to the Board when they plan to do anything further. Ms. Bird noted that this property is very important to the Utah State University, who is the beneficiary.

6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Follow-up Report to Board Actions (cont'd)

D. Sienna Hills Update

Mr. Gordon reviewed this with the Board through a power-point presentation.

\* Where we've been, where we are, and where we are going:

- \* 740-acre master-planned development
- \* 468 developable acres, 1300 residential units
- \* 120 acres commercial
- \* Signed Development Agreement one year ago
- \* Interchange opened in June, 2005

\* Sienna Hills Snapshot

	<u>Sold</u>		<u>In Process</u>		<u>Inventory</u>	
	Acres	Value	Acres	Value	Acres	Value
Residential	43.5	\$7.4M	127	\$12.7M	176	\$22M
Commercial	0		5.5	\$1.8M	116	\$34.2M

Land Values:

	<u>Projected</u>	<u>Current</u>
Residential	\$55K acre	\$125K - \$300K acre
Commercial	\$174K acres	\$300K to \$500K acre

Projection Vs. Actual:

	<u>2004 Projection</u>	<u>2006 Actual/Projection</u>
NPV	\$11.7M (2004 \$'s)	\$36M (2004 \$'s)
IRR	38%	IRR 47% MIRR 33%
Gross Value	\$43M	\$77M
Planned Capital	\$15M over 5 yrs.	\$12 to \$15M

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6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Follow-up Report to Board Actions (cont'd)

D. Sienna Hills Update (cont'd)

- \* Expenditures
  - \* Ramping down
  - \* Projected - \$6.6M
  - \* Actual - \$6.9M net
  - \* This year - \$3.0M
  - \* Future - \$3M to \$5M next two years
- \* Timing - - one year behind projection
- \* Summary
  - \* Value largely created, focus on harvesting the value
    - \* Focus has been on infrastructure (land and underground)
    - \* Project ready for vertical phase, commercial, and residential
  - \* Sales timing behind what we hoped, but values are much higher than we projected
  - \* Major investment phase winding down - - focus on quality execution of vertical improvements
- \* Sienna Hills Billboards
  - \* Sienna Hills PCD allows for two billboards with freeway frontage
  - \* Signs must advertise for projects within Sienna Hills
  - \* Approximately \$115,000 to construct
  - \* Approximately \$3,600 per month in lease revenue
  - \* IRR 57 percent
  - \* Recommending moving forward with one sign now

Mr. Gordon noted we have self-developed this. We don't want to turn it over to a developer. The infrastructure had to be brought about a mile from Telegraph Street. During that process, we have master planned the parcel into different "pads". It is all set up and ready for the development community.

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6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Follow-up Report to Board Actions (cont'd)

D. Sienna Hills Update (cont'd)

Mr. Gordon noted that the \$51.8 million is the current land value. We have put an escalator on it of one percent. Mr. Eardley asked if these numbers are holding up? Mr. McBrier stated we think they will. We believe this is an excellent location, and we have confidence in these numbers. The market may slow down, but we have much room in this deal. We have the ability to exercise patience to achieve these numbers. We thought we would be able to move faster than we have been able to do. We are behind on our projections, but are selling leases at higher values. Therefore, our rates have not been affected.

The Board felt staff had authority to proceed on this as planned. Mr. Gordon thanked the Board for letting the agency engage in this type of project. Mr. Eardley stated Trust Lands doesn't want to run out of land in Washington County in the future. It will continue to grow in value. Mr. Morris stated this information is the "poster child" that will help us rationalize this to the legislature and others.

b. Development Group Report

I. Coral Canyon Market Place

Mr. Rodger Mitchell noted to the Board that this was discussed last month. We need to find an anchor tenant. It appears Smith's is not going to locate here. We will keep moving forward on it. The project will be about 17 acres.

6. Director's Report (cont'd)

b. Development Group Report (cont'd)

II. Big Water Report

Mr. Drake Howell gave the Board a power-point report on the Big Water area. The Board will tour this area tomorrow.

Shelter Cove:

- \* Self-developed subdivision
- \* Sold out 19 lots by late 2005
- \* Lot prices are projected or higher; beat absorption time frame by a couple of years
- \* First house constructed and occupied September, 2006
- \* Planning future phases with development partner - - bring to Board October, 2006
  - \* Approximately 100 acres adjacent to Phase I
  - \* Approximately 65 new lots

Big Water Store:

- \* Store purchased FY 2004 as gateway to residential development behind; ultimate town center location
- \* Land is on the market; listed with Coldwell-Banker
- \* Want to attract experienced commercial developer to build convenience store/gas station with laundromat and post office

Highway-89 Right of Way

- \* Town of Big Water has requested right of way narrowing to allow for "main street"
- \* Trust has assisted Town in developing Highway 89 conceptual plan to allow for retail enterprise along corridor
- \* Utah Transportation Commission visited site in March, 2006
- \* Town and Trust Staff working with Senator Orrin Hatch's office to facilitate plan

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

II. Big Water Report (cont'd)

Aman Resort

- \* Hotel with 34 guest rooms
- \* 31 detached villas (28 for sale); approximately \$6.5 to \$8.0 million per villa
- \* Construction/infrastructure underway (60 percent complete)
- \* Hotel to open late 2007 or early 2008
- \* Option B exercised - - currently working out infrastructure obligations imposed in Agreement
- \* Planning effort on land as "buffer" between resort and trust lands.

Big Water Sewer

- \* Sewer Feasibility Study in "comment" period
- \* Proposed containment pond solution @ approximately \$4.85 million cost
- \* Work with Town to obtain grant monies and implement
- \* Necessity for higher-density housing on land behind store

Mr. McBrier noted that there is some controversy coming on the Aman Resort Project. We sold this in two pieces. We have closed on piece one. They are wanting to close on piece two. As a requirement to do this, we had required that they provide us a water hookup and power for 50 units. We have talked about it many times with them. We received a exercise notice last week, and we told them we couldn't close without these issues being completed. We may have to extend the closing time requirement. Chairman Morris asked if modification either in terms or extension is something that needs to be approved by the Board? Mr. McBrier stated a material modification would have to be approved by the Board. A "holiday" from price increases, etc., would be a material modification. We will work through this. Chairman Morris stated he wants Staff to consider a "narrow" definition of "materiality" and that the Board has an opportunity to weigh in on this issue. Mr. McKeachnie stated that Garkane Power is having some trouble getting power to this project because of the corridor through this area.

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

III. St. George Market Analysis

Mr. Curt Gordon introduced those in attendance to speak to this issue to the Board. They are: Allen Carter, Southern Utah Title Company; Stan McConkie, Morley and McConkie; and Mike Carter, SunCor.

Mr. Allen Carter showed the Board a power-point presentation, and each Board member was given a copy of the presentation. They record all building transactions in Washington County. The sale market is down 34 percent from June 2005 to June 2006. They keep track of sales by area. The ones that are down the most are the ones that were up the most a year ago. The difference between August of this year and August of last year is very remarkable. They also record how many transactions were "flippers" or investors. If you take these out of the calculations, the end market is not off very much. For January through June, 2006, 69 percent of lot sales did not pass through the Multiple Listing Services (MLS). They feel there is a five to seven percent error rate in their calculations.

The average price of single-family dwellings in Washington County is reducing quite significantly. Many builders will build the same home this year that they built last year for \$75,000 - \$80,000 less. Where do buyers originate? Sixty-six percent of the buyers now come out of Northern Utah. They have listed about 1500 building lots, and there are at least that many that are not listed. They have a year's worth of homes already if another home was not built. Trust Deeds are going down. The number of notices of default could influence the market greatly as those homes go back to the market.

Projections for the next 12 months - - Buying a home begins several months after people start visiting a project. They are not seeing numbers yet that tomorrow there will be a turn-around from where they are now. They look for prices to retreat more than they are. Washington County has always been the place where someone could afford a second home. Next year or late next year will be a great time to buy a home. He thinks what Trust Lands is doing in building and tracking the less-expensive product is great. After the Home Show is a great time to buy a home.

6. Director's Report (cont'd)

b. Development Group Report (cont'd)

III. St. George Market Analysis (cont'd)

Mr. Stan McConkie gave the Board a handout on land sales, etc. He thinks the investor activity over the last few years is what artificially inflated the market and really has not been good for the market. The big problem is that we just don't have the land availability for commercial/ industrial sites. Mr. McBrier stated our Ft. Pierce area has an advantage in this area. Mr. McConkie stated the disadvantage on this is that we don't have "starter" home sites either. If a big industry did come in, there are no starter home sites. The investors created artificial shortages and caused this shortage of starter home sites.

Mr. McBrier stated he thinks the state and county need to address the following to get lower-cost housing: (1) get into the programs for tax-subsidized housing; (2) address the building codes and design requirements for contractors; and (3) permit higher density.

Mr. Mike Carter, of SunCor, showed the Board a photo of Coral Canyon. They have some condos and town homes going in, as well as the elementary school. They are now working on the Black Ridge piece, which adjoins trust lands. In 2000, they closed 20+ units. In 2003 they closed 110; in 2004 closed 168; in 2005 closed 214; and in 2006 they will close 208-212 units. About 80 percent of their product is \$425,000 or below. Over the last few years, they have also had a program that offers incentives for military, firefighters, school teachers, etc., to encourage them to buy and get into the market. Since late 2004, they require people buying their homes to sign a statement that states they will live in their home at least the first year. They have tried to hold the prices down on their homes and maintained the prices as they have gone along so that they won't have to lower them when the market goes down.

The Black Ridge still has large lots. Different priced homes are intermingled throughout the development. They have a trail system here that is a very good amenity. They have about 10 - 12 walking trails in this community. They are starting their third model home development soon. Their sales have slowed down a little. Last month they still let 21 contracts. They project from September - December about 45 sales. In 2004 and 2005, they had about 70 during those months. They only have an inventory of about four homes that are not sold right now. People have really realized that Coral Canyon is a great place to live. They have a broad range of prices and can accommodate a large range of home prices. It was noted that Ivory Homes has a \$25,000 penalty cost in their contract if you sell your home within the first year.

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

III. St. George Market Analysis (cont'd)

Mr. Ferry asked about the impact of the Washington County water fee on the homes? Mr. Carter stated that the fee is the same on any priced home, so you have to raise the percentage more on lower-priced homes than on higher-priced homes. Some developers are addressing this issue with the Conservancy District now. Because the market is softening, they have lower expectation than they did before.

Mr. McBrier stated that our trust land pieces are well positioned in the price structure that has been discussed. We are in an area that will be least impacted by the market slowdown. This seems to be the Mecca of the retirement people in the West. He thinks our projects will be just fine. Mr. Carter stated that Coral Canyon has carried the SunCor market in the last eight months. This says well for this market over other markets.

Chairman Morris thanked these guests for coming and making these presentations.

Black Sands Administrative Appeal Issue

At this point, Chairman Morris noted that we had the administrative appeal issue last month from Black Sands. The Board appointed John Scales to be the hearing officer. Mr. Scales has indicated to Chairman Morris that he has a possible conflict. Chairman Morris has, therefore, asked Mr. Lee to be the hearing officer.

IV. Leeds Report

Mr. Drake Howell discussed this with the Board.

Background: The Trust has spent the last several years preparing trust lands in the Silver Reef area of Leeds for development. The 115-acre trust land parcel is positioned in a scenic and historic setting adjacent to high-end five-acre estate lots. A development milestone was reached in December 2005 when the preliminary plat for the "Silver Creek Estates" subdivision was approved by the Town of Leeds.

6. Director's Report (cont'd)

b. Development Group Report (cont'd)

IV. Leeds Report (cont'd)

Shortly thereafter, the Trust approached the Town's Board of Adjustments where it successfully applied for a variance from the Town's standard residential street cross-section in order to limit the visual impacts of roadway grading. Since this time, the Trust's consulting engineer (Miller Consulting) has drafted construction drawings for the subdivision and prepared a cost estimate.

Request For Proposal: Early in the summer 2006, the Trust sent out a request for proposal on the development of Silver Creek Estates. Proposals were due on July 17, 2006. The Trust received six proposals on this subdivision. All six proposals primarily contemplated a development lease as the transaction structure.

Subdivision Valuation: Early in 2006, the Trust hired Morley & McConkie real estate appraisers to value the approved subdivision. The appraised value for the 115.52-acre subdivision of \$7,700,000. In the same appraisal, McConkie priced each of the 45 lots within the Silver Creek subdivision.

Proposal Evaluation: As each of the six proposals were unique regarding lot prices and absorption, it was necessary to compare the proposed Trust participation as a percentage of gross lot sales against an objective standard for a true "apple-to-apple" comparison. We chose to use a three-year absorption schedule, and the lot prices determined by the appraisers. As shown below, no proposal had a Net Present Value (NPV) equal to or greater than the appraised value of the subdivision in its current approved state. Moreover, only one of the six proposals had a positive Internal Rate of Return (IRR).

	<u>NPV</u>	<u>NPV Per Acre</u>	<u>IRR</u>	<u>% of Gross</u>
Beesley	4,409,386	38,170	-14%	40%; w/\$250K capital recovery
Brennan	4,468,413	38,681	-12%	5% Gross to Mdtg; 45% to Net
Keystone	6,874,342	59,508	8%	40% after basis & capital recovery
McMullin	4,912,641	42,526	-8%	47%
Perry/Thorpe	4,180,971	36,193	-15%	40%
Proterra	3,971,923	34,383	-17%	38%
BASIS	7,700,000	66,655		

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

IV. Leeds Report (cont'd)

Keystone's proposal represents the strongest return due to preferred returns to the Trust during a recovery period of an assumed basis of \$7,000,000 prior to a 60-40 split (40 percent to the Trust) of gross lot sales. However, even this proposal is quite lackluster. None of the proposals compel us to make a selection of a private development partner.

Options: After reviewing the proposals, we've had several thoughts:

1. Perhaps the appraised value of the land is not the true market value of the subdivision as seen in the responses from the market. This may or may not be the case. In our opinion, \$66,000 per acre for raw, entitled residential land adjacent to existing development is easily justified by market prices in Washington County.
2. We could potentially negotiate further with a few of the respondents to get better deals. However, it is quite unlikely to think we could persuade any of the respondents to offer the Trust a 50 percent or greater participation of the gross lot sales. A quick analysis shows, with even 50 percent Trust participation, no proposal surpasses the existing value of the land.
3. One respondent - Beesley - suggested a new approach for the Trust. Beesley is willing to finance the project with the Trust as the developer. In its proposal, Beesley did not explore this option in great detail with any idea of expected return, interest rate, etc. It is safe to assume Beesley would require a slightly higher return on its money than in the case of a development loan. A quick analysis indicates a 12 percent return on Beesley's money offers much weaker returns than self-funded, self-development (land basis is not recovered).
4. Another idea is to compensate a private development partner with improved lots instead of sharing gross revenue from lot sales. In this case, the development partner would still expect returns commensurate with sharing in gross revenue of lots sales.
5. Throughout the development process, the Trust has considered self-developing the Silver Creek Estates subdivision. This subdivision is just the right size at just the right value to create substantial returns to the Trust. The self-development option is explored in greater detail below.

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

IV. Leeds Report (cont'd)

Self-Development Financial Analysis: One more level of analysis is to compare proposed returns of a partnership with self-development. The constraints on self-development are necessary capital and resources. However, the potential returns of self-development justify consideration of the self-development option despite these constraints.

Staff analyzed the self-development option using basically the same assumptions as the private-party proposals. To evaluate sensitivity of financial return, we used three scenarios, each consisting of a variable absorption of three, five, or seven years, and a cost per lot of \$35,000, \$40,000, and \$45,000. We also assumed a six percent real estate brokerage commission. The results are as follows:

<u>NPV</u>	<u>Absorption</u>		
<u>Lot Cost</u>	<u>Three Year</u>	<u>Five-Year</u>	<u>Seven-Year</u>
35,000	8,506,939	7,968,483	7,461,641
40,000	8,318,604	7,795,005	7,297,225
45,000	8,130,269	7,621,527	7,132,809
<u>IRR</u>			
35,000	20 percent	14 percent	11 percent
40,000	18 percent	13 percent	10 percent
45,000	17 percent	12 percent	10 percent

The analysis illustrates even the worst-case self-development scenario is better than the best private-party proposal. The self-development analysis shows that, if the Trust can sell the Silver Creek Estates lots within five years at a cost of \$40,000 per lot, the NPV is approximately \$95,000 better than the current value of the land (representing a healthy Internal Rate of Return to the Trust). This scenario is realistic for two reasons: (1) demand is high for Silver Reef lots and (2) Miller Consulting estimates the cost of construction to be about \$36,000 per lot for a total of about \$1.6 million for the entire subdivision.

6. Director's Report (cont'd)

b. Development Group Report (cont'd)

IV. Leeds Report (cont'd)

Self-Development Constraints: Issues with self-development of Silver Creek Estates are capital and resource availability. With the recent hiring of a local construction manager, the issue of resource availability is effectively resolved. The more critical issue is whether the Trust is able to allocate approximately \$600,000 in three construction phases over the next several years. The capital issue is critical due to the need of capital infusion in other, much larger Washington County trust land projects like Sienna Hills, South Block, Green Spring, Tonaquint, etc.

Development Timing: Another critical issue to consider is the expiration of the approved preliminary plat for the Silver Creek Estates subdivision. The Trust received preliminary plat approval on December 14, 2005. Per the Town of Leeds zoning ordinance, application for final plat approval must be made within 12 months from the date of preliminary plat approval (December 14, 2006). In the case no final plat application is made or no time extension is requested within the 12 months, the preliminary plat expires and becomes "null and void". Whatever the outcome of the partner vs. self-development question, the Trust will continue expending capital and resource time during the next several months to gain final plat approval to preserve our investment.

Summary: Potential returns of self-developing Silver Creek Estates in Leeds, Utah, are much stronger than partnering with a private developer in a development lease transaction. However, the Trust must be willing to allocate capital over a several-year period for self-development to be possible. With the necessary capital, the Silver Creek Estates project will offer strong returns to the Trust. Given the likelihood of success, Staff's recommendation is for the Board of Trustees to authorize self-development of the Silver Creek Estates subdivision.

Chairman Morris stated it sounds like this is the right thing to do to keep following the sequence Staff has been doing. Mr. McKeachnie asked if Staff costs are included in the IRR calculation? It was noted they are not. The Board encouraged Staff to start including this. It was noted that our new accounting system will allow this to be done. Ms. Bird commended Staff on the fact that they now have a preliminary plat in this area.

6. Director's Report (cont'd)

b. Development Group Report (cont'd)

V. Gateway Commercial - Storage Facility

Mr. Rodger Mitchell reviewed this issue with the Board. This is 4.1 to 4.5 acres of a 6.7-acre parcel located just off Highway 9 on Old Highway 91 in Hurricane, Utah. The property was put up for auction in the Spring of 2005. At auction no bid met the \$6.15/sq. ft. minimum. In the Spring of 2006, Staff conducted an RFP process requesting 50-50 joint venture or cash purchase proposals. We received a number of joint venture proposals, but no cash offers. Most of the proposals were for flex space, but we did receive one proposal for a self-storage project. The economics of the self-storage project were clearly superior; however, the property was not zoned for that use. After a discussion with the Board in June, 2006, Staff pursued structuring a joint venture and rezoning the property. The property has been rezoned to accept a storage project, and the staff is prepared to recommend the Trust move forward with a joint venture.

The Project: It will be approximately 85,000 square feet in seven buildings with 640 to 670 individual storage units. The site will be between 4.1 and 4.5 acres. There will be an on-site residence constructed for a site manager. Liberal landscaping will be placed across the frontages of the property to ensure a professional, compatible appearance. Tight architectural controls will be maintained to ensure high-quality structures.

The Deal Structure: An LLC will be created to hold ownership of the project. McCullough-Jones Properties, LLC, will be a 50 percent managing member; and SITLA will be a 50 percent member. The Trust will transfer land to the LLC prior to the construction loan, but there will be no cash equity required. The Trust will receive a preferred cash position for the first eight years. It will receive the first \$101,800 (9.5 percent of land value) produced annually, and McCullough-Jones will receive the next \$101,800. Distributions will be split 50/50 thereafter. At dissolution, the Trust will receive its land equity back prior to the 50/50 split.

McCullough-Jones will manage the design, development, and construction of the project and be responsible for arranging construction and long-term financing. McCullough-Jones will be the guarantor on all financing and will sign personally if required. Loans will not exceed a 70 percent loan-to-value ratio. Review and approval of design will be maintained by the Trust. McCullough-Jones will also manage the operation of the project. There will be no fees paid for development. McCullough-Jones will receive six percent of collected operating revenue as a management fee.

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

V. Gateway Commercial - Storage Facility (cont'd)

The principles of McCullough-Jones Properties are Frank McCullough and Alan Jones. Both gentlemen have over 30 years' experience in real estate development and have been partners for over 20 years. As partners, they have developed over 20 storage projects in the western region and currently own and manage 17 of those projects. They have also developed office and retail properties.

The Economics: The Board was given a spreadsheet cash flow projection showing a detailed look at the economics of this project. The cash flow assumes a sale in year 20. Though this cash flow will need adjustment when we finalize the amount of land and the number of units in the final design, there will be no material changes; and it should be very close to what the economics will be. It shows a 17 percent IRR on our investment, and a net present value of \$2,290,733 at a 9.45 percent discount rate. Our initial investment (\$1,071,576) is based on the appraised value of our land contribution (46.sq.ft.) times 4.1 acres. Staff recommends the Trust enter into this joint venture relationship.

Chairman Morris asked if the 9.5 percent was guaranteed by the joint venture partner and does it accrue if it is not enough to get to the 9.5 percent? Mr. Mitchell stated it is not guaranteed and is not accumulative. This is some of the risk in the project. Our risk is sheltered somewhat because we get the first dollars out for the first eight years. Ms. Bird asked how we will make enough money on this if the grocery store doesn't think there are enough roof tops to sustain them? Mr. Mitchell stated this is a competitive business, and we need to get in soon. There are enough roof tops to support this. There certainly are risks. Mr. Eardley stated he doesn't know of any of these facilities that are not full.

Lee / Eardley. Unanimously approved.

"I move we approve this."

Roll Call:

Mr. Lee - - yes  
Eardley - - yes  
Scales - - yes  
Morris - - yes

Mr. Ferry - - yes  
McKeachnie - - yes  
Brown - - yes

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6. Director's Report (cont'd)

b. Development Group Report (cont'd)

VI. Fossil Hills Affordable Housing Transaction

Mr. Gordon reviewed this with the Board through a power-point presentation as follows:

- \* Proposed Transaction
  - \* Development lease with phased take-down
  - \* \$10K per door @ 140 doors - - \$1.4M
  - \* Below-market deal
  - \* Quid Pro Quo - - increase density on remainder - - make Trust whole
  - \* Units tax subsidized - Deed restricted 99 years
  - \* Land is not good residential land - adjacent to industrial park
  - \* May be some concerns with Ivory - -have to work out issues

Mr. McBrier noted that this issue has come up quicky. The State awards annually the "credits" that can be used. We would like to give them a plan to use here so that they can see if they can get the "credits". They have to compete on a state-wide basis. This will be an industrial park if we don't do this on this parcel. We also want to deliver some of this product to the community. We need to get the "density bonus" for this to be made whole on this project. The Board will tour this property tomorrow. Mr. Gordon indicated he feels we will do better with this scenario than we would with the current zoning. It was noted that it might be well to give this opportunity to all people who do this type of development. Mr. Gordon stated we have already opened this up to the entire market.

Mr. McBrier noted we need to give a Letter of Intent to the housing people before the end of the month for them to apply for tax credits. This is for information to the Board.

6. Director's Report (cont'd)

c. Oil and Gas Group Report

Ms. Garrison noted to the Board that about five years ago a small company shot seismic work behind the Shelter Cove area at Big Water. Unfortunately, nothing has been found there yet. She reviewed the oil and gas prices with the Board through a power-point presentation using graphs to show historic pricing. She noted that companies like working on trust lands because we are easier to work with than BLM and others. We have maintained between 7-8 million cubic feet of gas production annually. The new production is offsetting what we will be losing at Drunkard's Wash.

Revenue Goal Status:

- \* Questar Average \$ July - September: \$4.79  
(Average \$ July - September: \$6.38)
- \* FY 2007 Revenue Goal: \$75,731,785

Short-term Energy Outlook:

- \* Oil prices surged with the prospect that Prudhoe Bay would be shut-in for a long time.
- \* Prices have subsequently moderated and are expected to remain in the \$70 (WTI) range though the winter.
- \* NG spot market at Henry Hub averaged \$6.74 over the summer.
- \* Prices should increase during the heating months assuming:
  1. Normal winter weather
  2. Continuing economic growth
  3. Sustained oil prices
- \* Average Henry Hub price expected to average \$8.30 for 2007.
- \* Henry Hub to Opal differential: +/- \$1.00.

6. Director's Report (cont'd)

d. Minerals Group Report

Mr. Faddies gave the Board an update on the Minerals Group via a power-point presentation as follows:

Coal:

- \* Book Cliffs Area
  - \* West Ridge Mine: Andalex acquired by Bob Murray will operate as Utah American Energy. Plan to move longwall from South Crandall Federal Tract to West Ridge and operate two longwall units in this mine. May delay full production on SITLA tract. Development on schedule.
  - \* Dugout Mine: (Arch Minerals) First longwall panel developed on exchange tract. Panel advancement cut about 1400 feet short of plan due to thickening of "Green Seam Marker" bed and intersection of a fault. About 350K tons of coal sterilized. Company investment of \$500K in degasification holes lost in area. Longwall cutting coal August 28 - first cave very intense. Mine is in production cutting SITLA coal about three months ahead of schedule.
- \* Wasatch Plateau
  - \* Mill Fork Tract (Energy West): In full production. This is a dual seam mine operating under 2200 feet of cover (deepest attempted in US). Production from lower seam and development cutting upper seam. Haulage way taking weight (potential production slowdown).
  - \* SUFCO Mine, Muddy Tract (Arch Minerals): Development faced up against Southern boundary of SILTA coal. Development will commence on tract in late September. Operator remains confident that longwall will be set by year end.
    - \* Surface drilling of lower coal seam on tract to 15 feet-thick seam.
  - \* Emery Field: Negotiations ongoing with potential client.
- \* FY 2005 Revenue: \$4.5 million
- \* FY 2006 Plan: \$9.2 million

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6. Director's Report (cont'd)

d. Minerals Group Report (cont'd)

Other Minerals:

- \* Limestone
  - \* Pelican Point quarry, Utah County. Facility acquired by Clyde group of companies (out of bankruptcy). Geneva Rock will be operator. Production from trust lands in about a year's time. The agency has been approached by a large international cement producer who will partner with a Utah mining company. Project will be located in Central Utah on fee and SITLA land.
- \* Uranium
  - \* Tony M. Mine IUC timeline for production is 18 months out. Dewatering of UG workings underway. Commodity price is the base for royalty calculation (Board OBA). Spot price for yellowcake on August 31 was \$52/lb.
- \* Copper
  - \* Constellation in Lisbon Valley. Sale of copper in second quarter: \$10 million. Currently working at about one-third of design capability. Forecast full production by year end. Will not mine SITLA ground for about a year.
- \* Potash
  - \* Intrepid acquired Wendover deposit and has applied production techniques similar to Moab Salt. Unitized lease. SITLA has a modest position in unit.
- \* Gold
  - \* Prospector on a SITLA lease in the West Desert has mobilized a gravity-recovery plant to site. A second prospector has a grass-roots exploration program underway on SITLA lands in the Gold Hill District.

Sand and Gravel:

- \* Moab: Competitive offering this past month netted \$101,000 from competitive bid.

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6. Director's Report (cont'd)

e. Surface Group Report

Mr. Christy stated that October 13, 2006, is our Fall auction sale at Little America.

Mr. Ron Torgerson gave the Board a fire report for FY 2006. He showed a power-point presentation with pictures of areas which had burned, etc. We are participating in the reseeding of some of the areas which burned. There was a significant loss of desert tortoise in the Washington County fires. Mr. Torgerson recommends SITLA cooperate with the Division of Wildlife Resources and Forestry, Fire, and State Lands to reseed approximately 3,520 acres of trust lands on the Jarvis and Cave Flat fires with Forage Kochia to provide forage for livestock and wildlife and to reduce threat of future fires as follows:

SITLA Budget	\$30,000
DWR & FF&SL Budget	\$60,000
Kochia Seed Costs	\$60,720
Aerial Application	\$15,840
Plateau Herbicide, 640 acres	<u>\$12,800</u>
Total Cost	\$89,360

On the St. John's fire, estimated costs for reseeding are \$23,500, broken down as follows:

SITLA	\$ 9,000
DWR & FF&SL	\$12,000
GIP Grant	\$ 2,500

In the Book Cliffs area (Willow Creek), 1200 acres of trust lands burned; and Forestry, Fire, and State Lands spent \$1.4 million to fight the fire. We would have liked to have let this one burn.

Mr. Christy also updated the Board on the hunter access issues with the Division of Wildlife Resources (DWR). The extra efforts that we went in to trying to quantify where trust lands are in this has proven valuable. The appraisal ranged from \$1.3 million to \$2.3 million for wildlife values. He thanked Mr. Ferry and Mr. McKeachnie for their leadership on this issue. We have had multiple meetings with DNR, DWR, etc. Three days ago, Director Carter received a counter offer from DNR and DWR of \$500,000. This falls short of the \$1.3 million low-end value. In terms of the evaluation of what is going on in the budget process for DWR, they are pushed to go

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6. Director's Report (cont'd)

e. Surface Group Report (cont'd)

after license increases for \$2.7 million this year. They are now in the process of having Regional Advisory Committee (RAC) meetings. Sources that have been attending those meetings report that discussion of this issue has been very generic. People from the audience have stated their concern that access to trust lands be maintained. On October 5, the DWR Board will take final action on the RAC recommendations. Educational community members have been attending the RAC meetings to speak to the access issue and the schoolchildren subsidizing hunters on trust lands. This will probably be an issue that will end up before the Board. We think we have good information supporting our position.

Mr. Ferry stated we have gone through this very complicated effort and presented it to DWR. They have countered without good information. They are asking if we really want to have this fight.

Ferry / Lee. Motion approved.

"I move we go into closed session for the purpose of discussing strategy on the value of trust land real estate."

Roll Call:

Mr. Lee - - yes	Mr. Ferry - - yes
Eardley - - absent at vote	McEachnie - - yes
Scales - - yes	Brown - - yes
Morris - - yes	

The Board went into closed session at 4:10 p.m. Those in attendance were Board members, Kevin Carter, John Andrews, Ron Torgerson, Kim Christy, LaVonne Garrison, Lisa Schneider, Tom Faddies, Dave Hebertson, Elise Erler, Drake Howell, Curt Gordon, Lynda Belnap, and Margaret Bird. The Board returned to open session at 4:55 p.m.

7. Consent Calendar

Mr. Lee asked that item 7(c) be pulled from the Consent Calendar and discussed. Items 7(a) and 7(b) were approved with no discussion.

a. Sale of 4.5 Acres of Sienna Hills Parcel #2 to IHC

In June of this year, the Planning and Development Group issued a land offering for Parcel 2 at Sienna Hills. Parcel 2 is a 4.68-acre mixed-use parcel with frontage on Washington Parkway and Grapevine Crossing Road. Over 400 offering notices were sent to the development community, and we received only one offer in response. This offer came from Intermountain Healthcare (IHC) through a local real estate broker. Since we received only one offer, we didn't go through our normal proposal-comparison process. However, we did perform a detailed evaluation of the proposal using the following criteria:

- \* Character, reputation, financial status, credit history and prior real estate development experience
- \* The projected financial outcome of the proposal
- \* Ability of the respondent to execute the proposed plan
- \* The vision of the proposed development and the potential effect of the proposed project to either enhance or detract from the Sienna Hills project.

Sienna Hills Parcel 2 Background: Parcel 2 is entitled as a mixed-use parcel within the Sienna Hills Master Plan, meaning that multiple uses such as residential and commercial could be developed on the parcel. However, the small size of the parcel made it less likely that a true mixed-use project would be viable. Our vision for this parcel was that it would be a prime office/professional plaza location. Therefore, we were excited to learn that IHC wanted to purchase the parcel for the purpose of building a medical clinic. In our opinion, a medical facility will be an asset to the development and will increase surrounding property values.

Parcel 2 is one of several parcels graded into "super pads" with the construction of the new interchange. The parcel is entitled for up to 59 multi-family units or 212,000 square feet of building area. This parcel is separated from residential parcels by open space, and it is adjacent to the Fiber Optic facility. Access to the parcel is off Grapevine Crossing Road, which has recently been completed. Open space associated with the parcel will be conveyed into a homeowners association.

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7. Consent Calendar (cont'd)

a. Sale of 4.5 Acres of Sienna Hills Parcel #2 to IHC (cont'd)

Purchase Offer: IHC made an offer to purchase parcel 2 for \$6.15/sq. ft. or \$272,250 per acre. We have been successful in negotiating a price of \$7.03/sq. ft. or \$306,226 per acre, for a total of \$1,443,324. This offer meets our expectations in relation to price - - our projection of a year ago for this parcel was a value of \$174,000 per acre. The price negotiated with IHC exceeds recent appraisal values for similarly zoned Sienna Hills parcels. IHC measures up to the quality standards we would like to see maintained at Sienna Hills. We are confident that they are the right selection for Parcel 2.

Conclusion: This development will accomplish our goal of a sale of this parcel to a high-quality developer with a land use that will enhance the quality of the parcel, at the same time meeting price expectations.

This item is approved by the Board, since there were no comments from the Board on this Consent Calendar item.

b. Eagle Mountain Trail Corridor Adjustment

In October, 2003, the Trust entered into a master-development agreement with Eagle Mountain City. This agreement provides, among many other things, for the conveyance by the Trust of 52 acres of land to the city for a pedestrian/bicycle/equestrian trail and park along the historic Pony Express route. This conveyance took place in January, 2005. We are proposing a minor adjustment of the trail corridor to allow for a trail alignment that fits better in the topography of the land and preserves a large stand of native vegetation. This adjustment will take the form of an exchange of land between the city and the Trust of equal acreage.

The location where the preferred trail alignment goes outside the conveyed tail parcel was indicated on a map given to the Board. It is proposed to add 0.3 acres to the trail parcel to accommodate the preferred trail alignment and reduce the width of the rest of the trail parcel over its entire length to recover the acreage given up. The value of the land received and conveyed are of comparable value. Staff recommends approval of this exchange.

This item is approved by the Board, since there were no comments from the Board on this Consent Calendar item.

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7. Consent Calendar (cont'd)

c. Negotiated Sales to the Department of Natural Resources - PS 8284 & PS 8285

Pursuant to Rule R850-80-550(2), this is formal notice that the Staff intends to complete two separate negotiated sales of the following-described lands to the State of Utah, Department of Natural Resources:

PS 8284:	<u>Township 1 South, Range 9 West, SLM.</u> Section 2: SW4NW4, W2SW4, N2N2 (Lots 1-4)	Tooele County 285.40 acres
PS 8285:	<u>Township 1 North, Range 9 West, SLM.</u> Section 36: W2W2	Tooele County 160.00 acres

The State of Utah Department of Natural Resources has made application to purchase the above-referenced parcels of land. The appropriate advertising has been completed pursuant to rule; and no comments, competing applications, or interest were received. An appraisal has been completed for each of these parcels, which established fair-market value as follows:

PS 8284	\$120,000 (\$420/acre)
PS 8285	\$ 65,000 (\$406/acre)

The terms of each of these sales have not yet been determined. However, we anticipate that it will either be a cash transaction or that the agency will finance the buyer based on the standard terms of 10 percent of the purchase price down and the balance carried over a 20-year period at 2.5 percent over prime rate.

Mr. Lee had previously asked that this item be taken off the Consent Calendar so that it could be discussed. Ms. Bird stated she has concern about the sale. The Board went into closed session for the discussion of real estate values.

McKeachnie / Ferry. Motion approved.

“I move we go into closed session for the purpose of discussing the value of real estate.”

Roll Call:

Mr. Lee - - yes	Mr. Ferry - - yes
Eardley - - absent at vote	McKeachnie - - yes
Scales - - yes	Brown - - yes
Morris - - yes	

lb

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7. Consent Calendar (cont'd)

c. Negotiated Sales to Depart. of Natural Resources - PS 8284 & PS 8285 (cont'd)

The Board went into closed session at 4:57p.m. Those in attendance were Board members, Kevin Carter, John Andrews, Ron Torgerson, Kim Christy, LaVonne Garrison, Lisa Schneider, Tom Faddies, Dave Hebertson, Elise Erler, Drake Howell, Curt Gordon, Lynda Belnap, and Margaret Bird. The Board returned to open session at 5:02 p.m. Mr. Lee declared that he has a conflict on this issue and won't vote.

McKeachnie / Ferry. Motion approved.

"I move we approve this sale."

Roll Call:

Mr. Lee - - abstained	Mr. Ferry - - yes
Eardley - - absent at vote	McKeachnie - - yes
Scales - - yes	Brown - - yes
Morris - - yes	

Meeting adjourned at 5:05 p.m.